



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
JADE T. BUTAY
FORD N. FUCHIGAMI
RANDY GRUNE
JADINE URASAKI

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

AMENDMENT TO PRIOR BOARD ACTION OF 6-14-13, ITEM M-5,
ISSUANCE OF A DIRECT LEASE TO HAWAII ISLAND AIR, INC.
HONOLULU INTERNATIONAL AIRPORT
REQUEST AMENDMENT TO LOCATION AND TAX MAP KEY,
AREA AND ANNUAL LEASE RENTAL
TMK: (1) 1-1-072: 25

OAHU

On June 14, 2013, under agenda Item M-5, and pursuant to Section 261-7 and 171-59, Hawaii Revised Statutes, relating to Disposition by Negotiation, the Land Board authorized the Department of Transportation (DOT) to issue a lease to Hawaii Island Air, Inc., for the operation and maintenance of a Fixed-Based Hangar Facility, to support its commercial airline operations at Honolulu International Airport.

PURPOSE:

The DOT requests certain changes to the LOCATION AND TAX MAP KEY, AREA and the ANNUAL LEASE RENTAL, as written on said submittal previously approved by the Land Board.

The changes should read as follows:

ORIGINAL

LOCATION AND TAX MAP KEY:

Portion of Honolulu International Airport, Island of Oahu, State of Hawaii, identified by Tax Map Key: 1st Division, 1-1-72: 25 (portion).

AS AMENDED

LOCATION AND TAX MAP KEY:

Portion of Honolulu International Airport, Island of Oahu, State of Hawaii, identified by Tax Map Key: 1st Division, 1-1-72: 25.

ORIGINAL

AREA:

Building No. 221-100, containing a footprint of approximately 15,000 square feet; and
Area/Space No. 009-107A, containing approximately 39,499 square feet of improved,
paved land, as delineated on the attached map labeled Exhibit A.

AS AMENDED

AREA:

Building No. 221-101, containing approximately 3,000 square feet of office space;
Building No. 221-201, containing approximately 3,000 square feet of office space;
Building No. 221-102, containing approximately 12,000 square feet of hangar space; and
Area/Space No. 009-107A, containing approximately 44,449 square feet of improved,
paved land, as delineated on the attached map labeled Exhibit A.

ORIGINAL

ANNUAL LEASE RENTAL:

1. Annual Rental for the First Five (5) Years of the Lease Term (Years 1 – 5):

a. Building Rental. For the first five (5) years, beginning upon the
commencement date of the Lease term, LESSEE shall pay to STATE an annual building
rate established for Building No. 221-000, in the 2013 Statewide Appraisal for Hawaii
State Airports, to be published in the Airports Division Procedures, Procedure No. 4.5
(Schedule of Rates and Charges) for the Airport.

The 2013 Statewide Appraisal for Hawaii State Airports (State Project Nos. ES1203-13
and ES1204-13) has an estimated completion date of July 31, 2013.

b. Ground Rental. For the first five (5) years, beginning upon the
commencement date of the Lease term, LESSEE shall pay to STATE an annual ground
rental, in the amount of \$123,236.88, payable in monthly installments of \$10,269.74, in
advance, based upon the present ground lease rental rate of \$3.12 per square foot, per
annum, for the premises at Honolulu International Airport.

2. Annual Rental for the Second Five (5) Years of the Lease Term (Years 6 – 10):

a. Building Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE a building rental amount based upon the product of 115% and the annual rental for the fifth (5th) year of the Lease term.

b. Ground Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$141,722.41, payable in monthly installments of \$11,810.20, in advance, based upon the product of 115% and the annual rental for the fifth (5th) year of the Lease term (\$10,269.74).

AS AMENDED

ANNUAL LEASE RENTAL:

1. Annual Rental for the First Five (5) Years of the Lease Term (Years 1 – 5):

a. Building Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual building rental, in the amount of \$205,200.00, payable in monthly installments of \$17,100.00, in advance, based upon a hangar building rental rate of \$13.20 per square foot, per annum, and an office building rental rate of \$7.80 per square, foot, per annum, for the Premises at Honolulu International Airport.

b. Ground Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$138,680.88, payable in monthly installments of \$11,556.74, in advance, based upon a ground lease rental rate of \$3.12 per square foot, per annum, for the Premises at Honolulu International Airport.

2. Annual Rental for the Second Five (5) Years of the Lease Term (Years 6 – 10):

a. Building Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE an annual building rental, in the sum of \$235,980.00, payable in monthly installments of \$19,665.00, in advance, based upon the product of 115% and the annual building rental for the fifth (5th) year of the Lease term (\$205,200.00).

b. Ground Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$159,483.01, payable in monthly installments of \$13,290.25, in advance, based upon the product of 115% and the annual land rental for the fifth (5th) year of the Lease term (\$138,680.88).

REMARKS:

All other terms as outlined in the submittal previously approved by the Land Board remain unchanged.

RECOMMENDATION:


That the Board amends its prior action of June 14, 2013, under agenda Item M-5, by approving the changes to the Location and Tax Map Key, Area and the Annual Lease Rental, as herein outlined, which are by reference incorporated herein and subject to such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State.

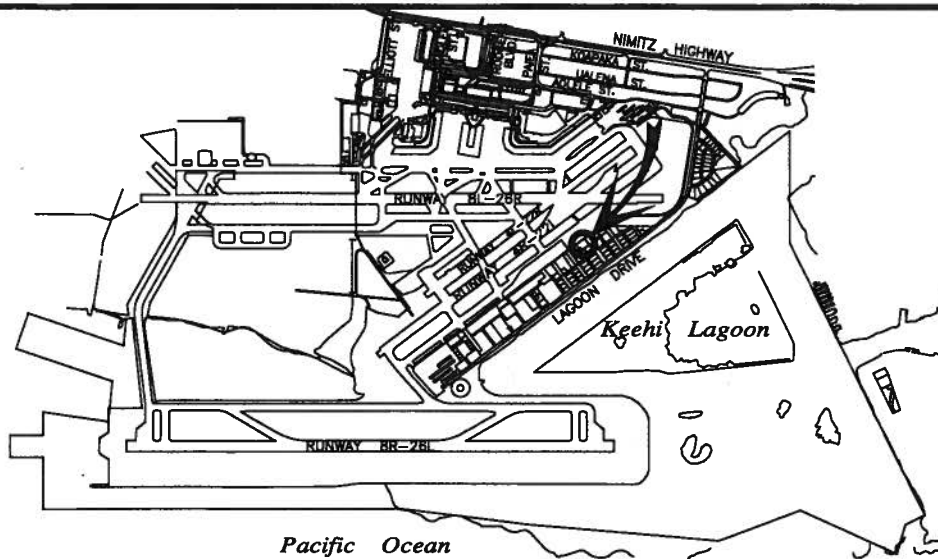
Respectfully submitted,



GLENN M. OKIMOTO, Ph.D.
Director of Transportation

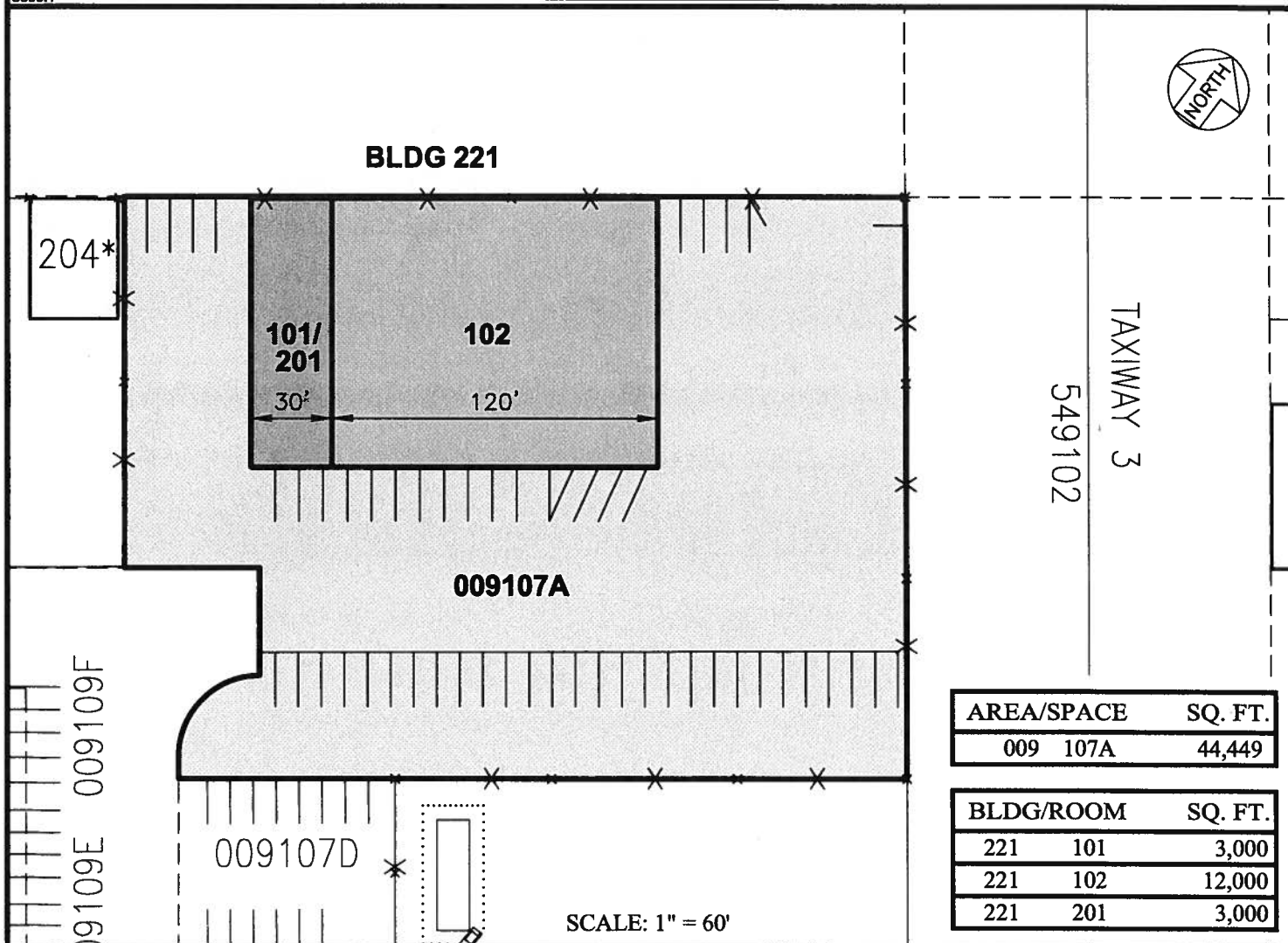
APPROVED FOR SUBMITTAL:


WILLIAM J. AILA, JR.
Chairperson and Member



5000:1

LOCATION PLAN



DATE : OCTOBER 2013

EXHIBIT: **A**



Airports Division

HAWAII ISLAND AIR, INC.

BUILDING 221
SOUTH RAMP

009107A
221101,102
221201
PLAT 63

HONOLULU INTERNATIONAL AIRPORT

N:\AIRPORTS\HNL_HONOLULU\CAD\PM\HNL_221101-01.DWG

NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

June 14, 2013

GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
JADE T. BUTAY
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IN REPLY REFER TO:

Board of Land and
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State of Hawaii
Honolulu, Hawaii

ISSUANCE OF DIRECT LEASE TO HAWAII ISLAND AIR, INC.
HONOLULU INTERNATIONAL AIRPORT
TMK: (1) 1-1-72: 25 (PORTION)

OAHU

REQUEST:

Issuance of a direct lease to Hawaii Island Air, Inc. for the operation, and maintenance of a Fixed-Based Hangar Facility, to support its commercial airline operations at Honolulu International Airport.

LEGAL REFERENCE:

Subsection 171-59(b), Hawaii Revised Statutes, as amended.

APPLICANT / LESSEE:

Hawaii Island Air, Inc., a Delaware corporation, authorized to do business in the State of Hawaii, whose business and mailing address is 99 Kapalulu Place, Honolulu, Hawaii 96819-1843.

LOCATION AND TAX MAP KEY:

Portion of Honolulu International Airport, Island of Oahu, State of Hawaii, identified by Tax Map Key: 1st Division, 1-1-72: 25 (portion).

AREA:

Building No. 221-100, containing a footprint of approximately 15,000 square feet; and Area/Space No. 009-107A, containing approximately 39,499 square feet of improved, paved land, as delineated on the attached map labeled Exhibit A.

APPROVED BY THE BOARD
AT ITS MEETING HELD ON

6-14-2013

ITEM M-5

ZONING:

State Land Use District: Urban
City and County of Honolulu: I-2 (Industrial)

LAND TITLE STATUS:

Section 5(a) lands of the Hawaii Admissions Act: Non-ceded
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES ☐ NO ☒

CURRENT USE STATUS:

Land presently encumbered by Governor's Executive Order No. 3201, setting aside a portion of Honolulu International Airport under the control and management of the Department of Transportation, Airports Division, State of Hawaii, for Airport Purposes.

CHARACTER OF USE:

The operation and maintenance of a Fixed-Based Hangar Facility.

TERM OF LEASE:

Thirty-Five (35) years

LEASE COMMENCEMENT DATE:

Upon execution of the lease document

ANNUAL LEASE RENTAL:

1. Annual Rental for the First Five (5) Years of the Lease Term (Years 1 – 5):

a. Building Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual building rate established for Building No. 221-000, in the 2013 Statewide Appraisal for Hawaii State Airports, to be published in the Airports Division Procedures, Procedure No. 4.5 (Schedule of Rates and Charges) for the Airport.

The 2013 Statewide Appraisal for Hawaii State Airports (State Project Nos. ES1203-13 and ES1204-13) has an estimated completion date of July 31, 2013.

b. Ground Rental. For the first five (5) years, beginning upon the commencement date of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$123,236.88, payable in monthly installments of \$10,269.74, in advance, based upon the present ground lease rental rate of \$3.12 per square foot, per annum, for the premises at Honolulu International Airport.

2. Annual Rental for the Second Five (5) Years of the Lease Term (Years 6 – 10):

a. Building Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE a building rental amount based upon the product of 115% and the annual rental for the fifth (5th) year of the Lease term.

b. Ground Rental. For the second five (5) years, beginning upon the first day of the sixth (6th) year of the Lease term, LESSEE shall pay to STATE an annual ground rental, in the amount of \$141,722.41, payable in monthly installments of \$11,810.20, in advance, based upon the product of 115% and the annual rental for the fifth (5th) year of the Lease term (\$10,269.74).

3. Annual Rental for the Third Five (5) Years of the Lease Term (Years 11 – 15):
For the third five (5) years, beginning upon the first day of the eleventh (11th) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

4. Annual Rental for the Fourth Five (5) Years of the Lease Term (Years 16 – 20):

a. Building Rental. For the fourth five (5) years, beginning upon the first day of the sixteenth (16th) year of the Lease term, the LESSEE shall pay to STATE a building rental based upon the product of 115% and the annual rent for the fifteenth (15th) year of the Lease term.

b. Ground Rental. For the fourth five (5) years, beginning upon the first day of the sixteenth (16th) year of the Lease term, the LESSEE shall pay to STATE a ground rental based upon the product of 115% and the annual rent for the fifteenth (15th) year of the Lease term.

5. Annual Rent for the Fifth Five (5) Years of the Lease Term (Years 21 – 25):
For the fifth five (5) years, beginning upon the first day of the twenty-first (21st) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

6. Annual Rental for the Sixth Five (5) Years of the Lease Term (Years 26 – 30):

a. Building Rental. For the sixth five (5) years, beginning upon the first day of the twenty-sixth (26th) year of the Lease term, the LESSEE shall pay to STATE a building rental based upon the product of 115% and the annual rent for the twenty-fifth (25th) year of the Lease term.

b. Ground Rental. For the sixth five (5) years, beginning upon the first day of the twenty-sixth (26th) year of the Lease term, the LESSEE shall pay to STATE a ground rental based upon the product of 115% and the annual rent for the twenty-fifth (25th) year of the Lease term.

7. Annual Rent for the Last Five (5) Years of the Lease Term (Years 31 – 35):
For the last five (5) years, beginning upon the first day of the thirty-first (31st) year of the Lease term, the annual building and ground rental shall be determined separately when due in accordance with Article VI. (Reopening of Rent) of the Lease.

PERFORMANCE BOND:

The sum equal to three times the monthly building and land rental in effect.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The subject land area is covered by Volume 3, Environmental Assessment for the Honolulu International Airport Master Plan Update and Noise Compatibility Program, dated September 1989 and referenced as State Project No. AO1011-03. This Environmental Assessment evaluated the environmental effects of the recommended Airport Development Plan which would accommodate the forecast general and commercial aviation needs of the island of Oahu through the year 2005 and was prepared for the State of Hawaii, Department of Transportation, Airports Division by KFC Airport, Inc.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Good standing confirmed:	YES <u>X</u>	NO <u> </u>

REMARKS:

In accordance with Section 171-59(b), HRS, relating generally to Management and Disposition of Public Lands and relating specifically to Disposition by negotiation, the Department of Transportation (DOT) proposes to issue a direct lease to Hawaii Island

Air, Inc., for the purpose of operating and maintaining a fixed-based hangar facility, to support its commercial airline operations at Honolulu International Airport. The DOT has determined that the issuance of this direct lease encourages competition within the aeronautical and airport-related industries.

RECOMMENDATION:

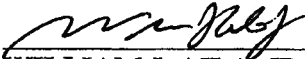
That the Board authorize the Department of Transportation to issue a direct lease to Hawaii Island Air, Inc, subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,



GLENN M. OKIMOTO, Ph.D.
Director of Transportation

APPROVED FOR SUBMITTAL:



WILLIAM J. AILA, JR.
Chairperson and Member

